

PUBLIC DISCLOSURE

OCTOBER 8, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MONSANTO EMPLOYEES CREDIT UNION

730 WORCESTER ROAD
SPRINGFIELD, MA 01151

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **MONSANTO EMPLOYEES CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated “ Satisfactory.”

Monsanto Employees Credit Union's Community Reinvestment Act (CRA) rating is based on five performance criteria, which are evaluated throughout this Report. The credit union's satisfactory rating is based on (1) an average net loans to deposits ratio of 39.8 percent; (2) substantial majority of mortgage loans (93.2% by number and 94.1% by dollars) granted within its assessment area; (3) a reasonable lending distribution among borrowers of different income levels for both mortgage and auto loans; (4) reasonably distributed lending throughout the census tracts comprising the assessment area; and finally (5) satisfactory implementation of fair lending procedures. No discriminatory lending practices were noted. No CRA complaints were received by the credit union.

PERFORMANCE CONTEXT

Description of Institution

Monsanto Employees Credit Union was incorporated in 1937 to serve the employees, retirees and their families of the Monsanto Company's Springfield, Massachusetts operations. In the mid 1990's, Monsanto Company began selling off part of its chemical division to Nova Chemical and Bayer Corporation. In September 1997, Monsanto Company's remaining chemical business was spun-off into a new and independent company named Solutia, Inc. Throughout this divestiture process, Springfield's employment base declined and the successor companies now employ the remaining Monsanto personnel. (Bayer Corporation relocated its Springfield operations/employees in the summer of 2002.) The Springfield plants currently employ about 700 hundred people.

In early 1999, Monsanto Employees Credit Union merged with Hamptonian Federal Credit Union, a small industrial credit union located in Northampton, Massachusetts. Under the approval of the Commissioner of Banks, Monsanto Employees expanded its' membership provisions to include the Select Employee Groups (SEGS) within Hampshire County, served by the Hamptonian Credit Union. Lastly, Monsanto Employees Credit Union received approval in September 2000 to expand its eligible membership to include, "those who work or reside in Hampden, Hampshire and Franklin counties."

Currently, the credit union's sole office is located on the plant site and was designed to serve its industry-based membership. The office lacks public visibility and such banking conveniences, such as a drive-up teller window and ATM services. However, the credit union offers alternative banking services, such as surcharge free ATM transactions, debit cards, 24hour/7day telephone banking system and on-line banking.

As of June 30, 2002, the credit union's total assets were \$76.6 million of which total loans represented \$23.7 million or 30.9 percent of total assets. The following table depicts the composition of the credit union's loan portfolio.

Loan Portfolio as of June 30, 2002		
Type of Loans	\$'s (000's)	% of Total Loans
Residential Real Estate		
a. 1-4 Family Mortgages	14,107	59.5%
b. Home Equity Loans/Lines	2,888	12.2%
Consumer Loans		
a. Personal/Unsecured	1,085	4.6%
b. New & Used Auto Loans	3,613	15.2%
c. Credit Cards	2,019	8.5%
All Other Loans		0.0%
Total	23,712	100.0%

NCUA Call Report 6/30/02

First mortgage loans secured by 1-4 family dwellings represent a majority (59.5%) of the loan portfolio. The second largest segment (15.2%) of the loan portfolio includes new and used auto loans, while home equity loans/line and credit cards represent 12.2% and 8.5%, respectively of the loan portfolio. Unsecured personal loans comprise the remaining portion (4.6%).

Although, the credit union has diversified its loan portfolio to include mortgage and home equity loans, its lending philosophy and policy remains oriented to serve its members' diverse credit needs. As of June 30, 2002, credit card and new/used auto loans numbered 1,803 and 460 loans, respectively. Based solely on the number of loans, these loan groups combined represented 75.7 percent of all outstanding loans.

The Division of Banks last conducted a CRA exam of Monsanto Employees Credit Union, as an industrial based credit union on September 28, 1998. That examination resulted in the institution receiving a "Satisfactory" Community Reinvestment Act (CRA) rating.

Description of Assessment Area

The Massachusetts Community Reinvestment Act (CRA) Regulation, 209 CMR 46.41 requires that each financial institution delineate one (or more) assessment area(s) within which the institution's record of helping to meet community credit needs is evaluated. The regulation further states that "a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area." In the prior CRA evaluation, Monsanto Employees Credit Union was evaluated as an industrial credit union, since its effective membership by-law included employees and retirees of the

Monsanto Company, Bayer Corporation, Nova Chemical, MassPower and Solutia and their family members.

In September 2000, the credit union expanded the membership by-law provisions. The new by-law states that membership in this corporation is limited to those who work or reside in Hampden, Hampshire and Franklin counties of Massachusetts and their families and to employees, retirees, and their families of Solutia, Inc; retirees and their family members of the former Monsanto Company's Springfield based operations; employees, retirees and family members of Monsanto Employees Credit Union. Membership in the Monsanto Employees Credit Union is also extended to the employees, retirees and their family members of 17 large and small Select Employee Groups (SEGS) including Nova Chemical, Inc. and MassPower in Springfield, and Northampton based companies such as, Kollmorgan Corporation, Packaging Corporation of America, Perstorp Compounds, Inc and Chartpak.

Monsanto Employees Credit Union defines its primary lending areas as Hampden and Hampshire counties. For purpose of this evaluation, these counties, which comprise the Springfield MA Metropolitan Statistical Area (MSA), are ascribed as the credit union's assessment area.

The assessment area includes the following Hampden County municipalities: the cities of Springfield, Chicopee, Holyoke, Agawam, Westfield and West Springfield, and the towns of Southwick, Ludlow, Longmeadow, East Longmeadow, Wilbraham, Hampden, Monson and Palmer, Russell, Montgomery, Granville, Blandford, Chester and Tolland. Additionally, the assessment area includes the following Hampshire County municipalities: the City of Northampton, the towns of Amherst, Pelham, Hadley, Hatfield, South Hadley, Granby, Belchertown, Easthampton, Southampton, Westhampton, Williamsburg, Huntington, Chesterfield and Goshen. In Hampden County, all of the municipalities are situated within the Springfield MA MSA except the rural towns of Granville, Blandford, Chester and Tolland and in Hampshire County the rural towns of Westhampton, Chesterfield, and Goshen. The Springfield MSA's median family income (MFI) was \$47,500 and 49,700 respectively, in 2000 and 2001 and increased to \$50,700 in 2002. The Massachusetts' Non-metropolitan Areas median family income (MFI) was \$48,000 and \$50,500 for 2000 and 2001, respectively and \$52,100 in 2002.

Demographic and Economic Data

The assessment area contains a total of 119 census tracts. There are 13 low-income and 14 moderate-income tracts. There are 63 middle income and 23 upper income census tracts. There are 6 "NA" census tracts. An NA tract is an institutional or commercial geography where demographic information is not available (NA). The NA tracts are situated in Springfield (1 tract within the city's commercial center), Chicopee (1 tract comprising the Westover industrial parks and air base), Amherst (1 tract adjacent to Hampshire College), and Northampton with 3 NA tracts housing the Leeds Veterans Hospital, the former Northampton State Hospital, and the Smith College campus.

The CRA regulation defines income levels as low-income (less than 50 percent of the area median income), moderate-income (50 to 79 percent of median family income), middle-income (80 to 119 percent of area median income), and upper-income (120 percent and greater of the area median income). The census tract income levels are based on the median family income within the given tract/geography. Significant economic contrast exists in the census tract composition of the more urban communities, particularly, Springfield and Holyoke and the suburban and rural communities within the assessment area. The low-income tracts are located in Springfield (8), Holyoke (4) and Amherst (1). The moderate-income geographies are situated in Springfield (8), Chicopee (2), Holyoke (1), West Springfield (1), Westfield (1) and Amherst (1).

The assessment area's total population based on 1990 U.S Census data was 591,849 residents; comprising 215,373 households of which 148,747 or 69.1 percent were family households. Households residing below the poverty level comprised 12.1 percent of all assessment area households. The Massachusetts statewide level of households residing below the poverty level was 9.4 percent of all households. The total family households by income levels within the assessment area are as follows: 20.9 percent are low-income, 16.5 percent are moderate-income, 24.4 percent are middle income and 38.2 percent are upper income families.

The following table outlines the distribution of households and housing units by the census tract income levels.

Housing Characteristics by Income Category of the Geography							
Geographic Income Category	Distribution by Percentage						Median Home Value
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental-Occupied Units	Vacant Units	
Low	10.9	8.1	8.3	1.6	17.7	13.1	\$87,708
Moderate	11.8	11.0	11.2	6.3	18.2	14.1	\$97,163
Middle	53.0	62.2	62.1	66.1	56.4	60.8	\$119,844
Upper	19.3	18.7	18.4	26.0	7.7	12.0	160,855
NA	5.0	0.0	0.0	0.0	0.01	0.0	\$0
Total or Median	100	100.0	100.0	100.0	100.0	100.0	\$122,192

Source: 1990 U.S. Census data

Housing stock is comprised primarily of 1-4 family residential units (77.7% of all housing units) and multifamily dwellings of 5 units or more (19.7% of all housing units). Based on 1990 U.S. Census data, the median home value was \$122,192, the median age of housing units was 36 years, while the median rental was \$489 dollars.

The table below compares the median home prices for the communities listed, based on Registry of Deeds' transactions.

	2001*	2002*
Springfield	83,250	90,000
Chicopee	105,445	113,750
Ludlow	124,250	130,500
Agawam	129,500	137,000
East Longmeadow	142,000	156,500
Belchertown	157,000	169,900

Year-to-date through August; median prices for single family dwelling per Warren Information Services

Overall, the above figures reflect an increase in home prices for year-to-date August 2002 over the same period in 2001. The median price of a home in Springfield increased by \$6,750 or 8.1 percent; while Chicopee experienced an average increase of \$8,305 or 7.8 percent. East Longmeadow had the largest increase with single family homes rising by \$14,500 or 10.2 percent. Springfield, the most active housing market, had 913 and 974 single-family home sales respectively, in 2001 and 2002. In comparison, East Longmeadow had 155 and 166 single-family home sales respectively, in year-to-date 2001 and 2002.

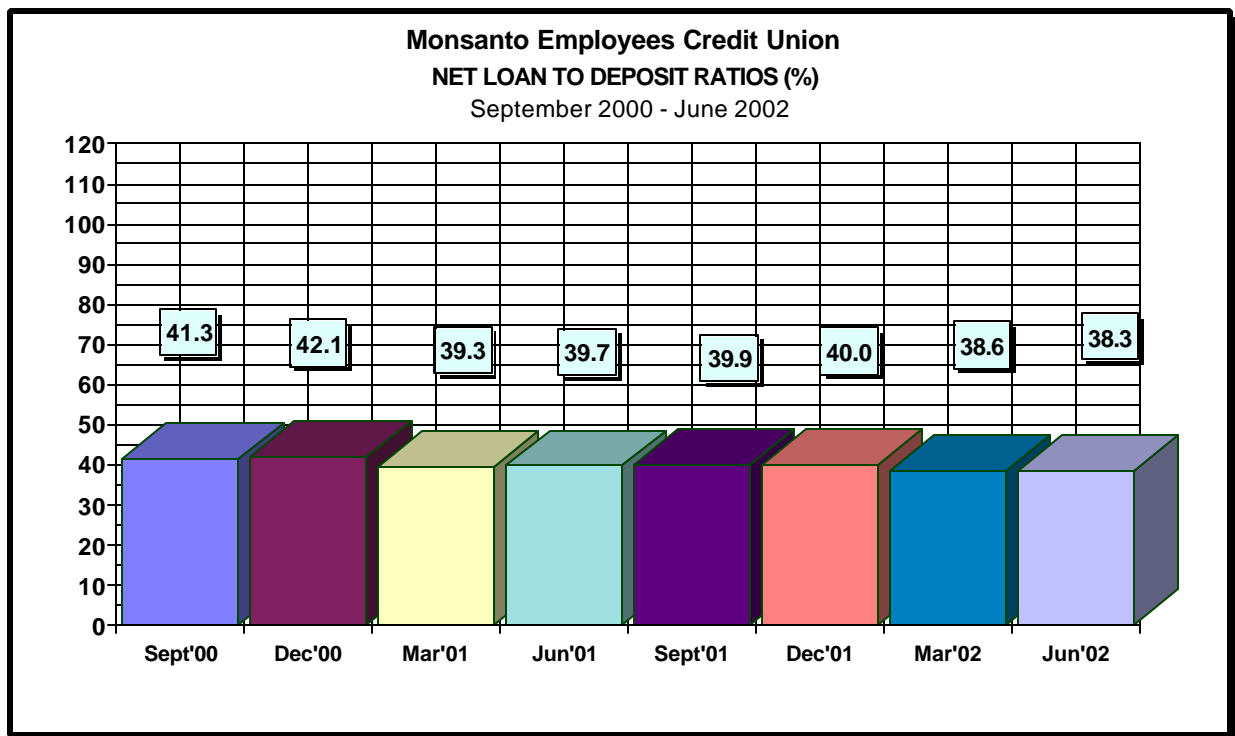
The Home Mortgage Disclosure Act (HMDA) requires lenders to report all purchase mortgages, refinances and home improvement loans to their respective regulators. Based on 2000 HMDA aggregate data for the Springfield MA metropolitan area, 400 active lenders originated or purchased a total of 14,899 HMDA reportable loans totaling \$1.3 billion. For purposes of this evaluation, however, Monsanto Employees Credit Union's mortgage activity is compared to a peer group comprised of 23 HMDA reporting credit unions. These credit unions originated 574 loans totaling \$47.2 million, in the year 2000.

In concluding, the top ten credit unions and their market share are as follows: (1) Polish National Credit Union (19.7%); (2) Western MA Telephone Workers (15.8%); (3) Aldenville Credit Union (10.6%); (4) Springfield Teachers Credit Union (10.3%); (5) Holyoke Credit Union (7.3%); (6) Luso Federal Credit Union (6.9%); (7) Springfield Mass Municipal Employees (3.8%); (8) MassMutual Federal Credit Union (3.6%); (9) Hamilton Standard Federal (3.2%); and Navy Federal (2.9%). These ten combined held 84.1 percent market share of all mortgage loans reported by credit unions under the HMDA requirements. Monsanto Employees Credit Union ranked 11th and held a 2.4 percent market share.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

This first criterion evaluates the level and trend of the credit union's net loan-to-deposit ratio. The average net loan-to-deposit ratio is 39.8 percent for the period from September 30 2000, through June 30, 2002. Monsanto's Employees Credit Union's performance is considered reasonable given the institution's lending capacity, its credit product offerings and the credit needs of its current membership. The following graph depicts the loan to deposit ratio level and trend for the quarters reviewed.



The above graph depicts a small declining trend in the ratio of net loans to shares/deposits. The credit union experienced a share/deposit increase (4.4%) in the year ending June 2001; coupled with a minimal loan decrease (negative 0.2%). Subsequently, in the year ending June 2002, share/deposits increased more slowly (1.3%), yet still exceeded the decrease (negative 2.0%) in loans. The outpacing of share/deposit growth, as compared to loan growth, accounts for the credit union's overall decline in the ratio of net loans to deposits.

In addition, the credit union's net loan to deposits ratio was compared to five other community-based credit unions, which are located either in Springfield or in an adjacent

community. The following table compares the net loan to deposit ratios for these competitors and Monsanto Employees Credit Union.

INSTITUTION	NET LOAN TO DEPOSIT RATIO*
Polish National Credit Union	45.3
W. Mass Telephone Workers Cr. Union	75.1
Aldenville Credit Union	77.9
Luso Federal Credit Union	49.5
Monsanto Employees Credit Union	38.3
Springfield Municipal Employees Cr. Union	63.1

*Source: NCUA Call Report data, June 2002.

The institutions are listed in descending order by asset size, ranging from the largest, Polish National Credit Union (\$292.2 million) to the smallest, Springfield Municipal Employees Credit Union (\$55.7 million). The remaining institutions are: Western Massachusetts Telephone Workers (\$232.7 million), Aldenville Credit Union (\$81.1 million), Luso Federal Credit Union (\$79.9 million) and Springfield Municipal Employees (\$55.7 million). Luso Federal Credit Union is most comparable (in both asset size and net loan to deposit ratio) to Monsanto Employees Credit Union (\$76.6 million).

At this time, Monsanto Employees Credit Union's average net loans to deposit ratio of 39.8 percent remains reasonable and meets the standards for a satisfactory rating. A continued negative loan growth would have an impact on the credit union's future rating given the institution's capacity to lend, based on asset size and sound financial condition and the credit needs of an expanded assessment area.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

The second performance criterion is based on Monsanto Employees Credit Union's record of lending within the assessment area. The credit union's mortgage lending activity within the assessment area represents a substantial majority and consequently, exceeds the standards for a satisfactory performance. The credit union's HMDA reported mortgage loan originations in 2000, 2001 and year to date (YTD) August 2002 were analyzed to determine the institution's performance for this criterion and the two subsequent lending criteria.

Monsanto Employees Credit Union originated, in 2000, 16 mortgage loans totaling \$543,000 and in 2001, 37 mortgage loans totaling \$3.5 million. The credit union granted 21 HMDA loans totaling \$1.5 million YTD August 2002. The table below details the institution's lending activity.

Distribution of Home Mortgage Loans Inside and Outside the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2000	16	100.0	543	100.0	0	0.0	0	0.0
2001	34	91.9	3,246	93.4	3	8.1	230	6.6
2002	19	90.5	1,456	93.5	2	9.5	101	6.5
Total	69	93.2	5,245	94.1	5	6.8	331	5.9

Source: HMDA LAR, CRA Wiz

The credit union granted a substantial majority (93.2% by number and 94.1% by dollars) of mortgage loans inside the assessment area. Furthermore, Monsanto Employees Credit Union granted 13 HMDA loans for \$920,000 within the City of Springfield, representing 24.5 percent (by number) and 19.6 percent (by dollars), of the total loans granted inside the assessment area in 2001 and YTD 2002,

Mortgage loans granted within Chicopee and Ludlow represented the second largest concentration of lending inside the assessment area with 8 loans granted in each municipality for 2001 and YTD 2002. Additionally, the loans granted within Chicopee and Ludlow totaled \$571,000 and \$563,000, respectively and represented 12.0 percent in each municipality, respectively of all loans granted inside the assessment area.

A sample of 64 new and used auto loans granted in 2001 and year-to date 2002 had eight loans granted outside the assessment area indicating that auto lending is also strong within the assessment area.

Given the levels of residential and consumer lending inside its assessment area, Monsanto Employees Credit Union exceeds the standard for a satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The third performance criterion evaluates the extent to which an institution lends to borrowers of different income levels inside its assessment area. Monsanto Employees Credit Union's residential/mortgage lending activity by borrower income levels is considered to be reasonable and meet the standards for a satisfactory rating. Auto loans granted in 2001 and year-to date 2002 demonstrate that the credit union's lending meets the standards for a satisfactory performance.

Borrower income levels are compared to the area median/median family income (MFI) for the MSA to determine the borrowers income levels. Borrowers qualify as low income (below 50% of MSA area median/MFI), moderate-income (between 50% and 79% of MSA median family income), middle-income (between 80 and 119% of MSA MFI) and upper-income (120% or more of MSA area median/MFI). The Springfield MSA's median family income (MFI) was \$47,500 and 49,700 respectively, in 2000 and 2001; and increased to \$50,700 in 2002. In 2002, a low-income family earned \$24,800 or less, while a moderate-income family household earned from \$25,350 to no more than \$40,000, annually. Middle income families had incomes ranging from \$41,000 to \$60,000, while upper income family households earned \$61,000 or more, annually.

The table below details the institution's mortgage lending activity by the borrowers' income level and compares this performance to the HMDA aggregate credit unions' data and to the distribution of family households.

Distribution of HMDA Loans by Borrower Income										
Median Family Income Levels	Family Households	2000 Aggregate Lending Data	2000		2001		2002		Total	
	% of #	% of #'s	#	%	#	%	#	%	#	%
Low	20.9	4.0	1	6.3	1	2.9	0	0.0	2	2.9
Moderate	16.5	14.6	3	18.8	0	0.0	2	10.5	5	7.3
Middle	24.4	27.6	5	31.2	10	29.5	5	26.3	20	29.0
Upper	38.2	53.8	7	43.7	23	67.6	12	63.2	42	60.8
Total	100	100	16	100	34	100	19	100	69	100

Source: U.S. Census Data 1990/ HMDA LAR, CRA Wiz for HMDA Aggregate Data

Comparison with the 2000 aggregate lenders' data indicates the level of lending opportunities, which exists among borrowers of different income categories. The aggregate lenders' data reflects well the demographic distribution of moderate-income and middle-income families within the assessment area. In contrast, the aggregate credit unions' distribution to low-income borrowers is below the demographic distribution of these families, while its lending to upper income borrowers is well above the demographic distribution of these families within the assessment area.

The credit union's 2000 lending distribution to all income levels of borrowers corresponds to both the aggregate credit unions performance and to the assessment area's demographics, particularly for low, moderate and middle-income borrowers. However, the credit union's lending to moderate-income borrowers declined sharply in 2001 affecting the overall distribution to this income group for the period under review. The credit union's lending to middle-income borrowers remained somewhat above the aggregate lenders'

level and corresponds well to the distribution of middle-income families within the assessment area. The credit union's lending to upper-income borrowers increased sharply in 2001/year-to date 2002 and is notably well above the demographic distribution of upper income family households within the assessment area/the 2000 aggregate lenders' data. It is important to understand that an evenly based borrower income distribution depends on solid lending to both moderate and middle-income borrowers. Consequently, given the above analysis, Monsanto Employees Credit Union's lending distribution imbalance (as seen in the high ratio of lending to upper income borrowers) can be attributed to its lack of market penetration among moderate-income borrowers.

A number of factors contribute to the imbalance of the credit union's borrowers' income distribution. The principle reason, however, would seem to rest with the institution's mortgage product offerings, as the credit union's maximum Loan to Value (LTV) is 80.0 percent of the appraised value of the home. Most homebuyers of moderate incomes would need a mortgage with a higher LTV than 80 percent and may have difficulty acquiring the remaining 20 percent (of value) as a down payment. Mortgage product offerings are limiting the institution's lending appeal to all income levels of applicants.

In conclusion, given the continued lending patterns to low, moderate and middle-income borrowers, Monsanto Employees Credit Union's mortgage loan distribution (by borrower income levels) is considered to be reasonable and to meet standards for a satisfactory performance.

Auto Loans

The credit union's auto lending was analyzed for 2001 and 2002 and found to demonstrate a more even distribution of loans among borrowers of all income levels. A sample group for each year was randomly selected based on the total number of new/used car loans granted to determine a statistically accurate sample group. In 2001, the credit union granted 109 new and used auto loans totaling \$1.4 million, and as of August 2002, granted 77 new/used auto loans totaling \$1.0 million.

The table below details the borrowers' income distribution for the loans sampled, both number and dollar amount of loans are included.

Auto Loan Originations by Borrower Income Levels												
Income Levels	2001				2002				Totals			
	#	%	\$(000)	%	#	%	\$(000)	%	#	%	\$	%
Low	5	17.2	48	13.8	3	11.1	46	12.6	8	14.3	94	13.2
Moderate	5	17.2	74	21.3	6	22.2	62	16.9	11	19.6	136	19.0
Middle	8	27.7	92	26.5	10	37.1	147	40.0	18	32.2	239	33.5
Upper	11	37.9	133	38.4	8	29.6	112	30.5	19	33.9	245	34.3
Totals	29	100	347	100	27	100	367	100	56	100	714	100

Based on the totals, the above analysis demonstrates that moderate and middle-income borrowers combined received 51.8 percent (by number) and 52.5 percent (by dollar) of the loans granted. Low-income borrowers received the smallest, yet reasonable portion (14.3% by number and 13.2% by dollar volume) of loans granted. Auto loans granted to upper income borrowers represent 33.9 percent (by number) and 34.3 percent (by dollar volume) of the loans analyzed reflecting a more reasonable lending distribution to this income group. Overall, the above analysis demonstrates a reasonable lending distribution among the borrower income levels, particularly to low-income borrowers and moderate/middle-income borrowers. The above distribution indicates that new and used auto loans are credit products that serve a good cross-section of the credit union's membership.

In conclusion, Monsanto Employees Credit Union's performance is considered to meet standards for a "satisfactory" rating for this criterion. The institution's loan distribution among borrowers of different income levels is considered reasonable for residential and auto lending, given the level of loans granted to low, moderate and middle-income borrowers.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

This fourth performance criterion evaluates the institution's record of addressing the credit needs of its assessment area, based on the geographic distribution of loans. Monsanto Employees Credit Union's performance for this criterion is reasonable and consequently, meets the standards for a satisfactory performance. Census tracts/geographies are defined as either low, moderate, middle, or upper-income. The same comparative income levels that applied to borrowers' incomes are also applied to census tracts/geographies. Census tract income levels are based on 1990 U.S. census data.

The table below details the institution's mortgage lending activity by the census tract income levels; the table further compares this performance to both the HMDA aggregate credit unions' data and to the distribution of owner occupied dwellings within the assessment area.

Distribution of Mortgage Loans by Income Category of Census Tract										
Tract Income Levels	Owner-Occupied Housing Units	2000 Aggregate Credit Union Data	2000		2001		2002		Total	
	%	%of #'s	#	%	#	%	#	%	#	%
Low	1.6	0.3	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	6.2	2.3	0	0.0	1	2.9	2	10.5	3	4.3
Middle	66.2	67.4	12	75.0	19	55.9	11	57.9	42	60.9
Upper	26.0	30.0	4	25.0	14	41.2	6	31.6	24	34.8
Totals	100	100	16	100	34	100	19	100	69	100

Source: U.S. Census, HMDA LAR, and HMDA Aggregate Data

The aggregate lenders' distribution by census tract income levels, reasonably parallels the distribution of owner occupied housing units within the assessment area. The aggregate lenders' geographic distribution is well centered in the middle income tracts with 67.4 percent (by number) of loans situated within these tracts/geographies. In contrast, the lenders' market penetration/lending distribution within the low-income and moderate-income geographies is below the levels of owner occupant units. However, the groups' lending distribution within the upper income tracts remains reasonable, yet somewhat above the level of owner occupied dwellings within these tracts. Housing demographics are based on the 1990 U.S. Census and changes may have occurred in the distribution of owner occupied housing units within the assessment area.

In 2000, the credit union granted no residential loans within either, the low or moderate-income tracts. However, Monsanto Employees Credit Union's 2000 distribution within the middle income geographies exceeded both the distribution of housing demographics and the aggregate credit unions' performance. In the remaining periods shown, the institution's lending within the moderate-income tracts increased. Additionally, its lending within the middle tracts (60.9% by numbers of loans) fell somewhat below the comparative data distributions, while lending within the upper income tracts was somewhat above these distributions. Overall, the credit union's residential geographic lending patterns are considered reasonable and consequently, meet the criterion's standards for a satisfactory performance.

The sample of auto loans was also analyzed based on the geographic location of the borrowers. As the majority of loans granted (in the years reviewed) are situated within the middle income census tracts, the distribution is considered to meet the standard for a satisfactory performance.

The following table details the credit union's geographic distribution for auto loans.

Auto Loan Originations by Census Tract Income Levels												
Income Levels	2001*				2002*				Totals			
	#	%	\$(000)	%	#	%	\$(000)	%	#	%	\$	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	2	6.9	17	4.9	2	7.5	50	13.6	4	7.2	67	9.4
Middle	20	69.0	229	66.0	14	51.8	168	45.8	34	60.7	397	55.6
Upper	7	24.1	101	29.1	11	40.7	149	40.6	18	32.1	250	35.0
Totals	29	100	347	100	27	100	367	100	56	100	714	100

*Note: for 2000 and 2001, one loan's census tract number was not known.

Further review of the auto loan distribution indicates that the credit union made no auto loans to borrowers residing within the low- income tract and lacks a market presence within these tracts. In contrast (to residential lending patterns) there is a higher level of auto loans granted to borrowers residing within the moderate-income geographies, while lending to borrowers in the upper income tracts is balanced and reasonable.

In summary, Monsanto Employees Credit Union's geographic distribution for both mortgage and auto lending is considered reasonable and meets standards for a satisfactory performance, due to the credit union continued lending among all income levels of census tracts, particularly the moderate and middle-income geographies.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Monsanto Employees Credit Union received no CRA related complaints in the period under review. The credit union has an adequate record of implementing fair lending practices. The following discussion is based on the guidelines of the Division of Banks' Regulatory Bulletin 2.3-101. The institution's real estate lending policy prohibits discrimination on the prohibited bases under the Equal Credit Opportunity Act (ECOA) and other fair lending laws.

As a portfolio mortgage lender, Monsanto Employees Credit Union offers fixed rate mortgage loans with a maximum term of up to 30 years, and maximum loan to value (LTV) of 80 percent for purchase mortgages. The credit union lends for owner-occupied, one and two family dwellings. The credit union's real estate loan policy calls for loans to be made in accordance with Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) secondary market guidelines. However, the credit committee will consider exceptions to these guidelines. The institution offers Home Equity Lines/Loans with up to \$50,000 maximum and a 15-year term. Monsanto Employees is in the process of applying to the Commissioner of Banks for expanded first and second mortgage lending authority, including first mortgages with LTV's of up to 95 percent and 20-year term equity/second mortgage with loan maximum up to \$150,000.

The credit union offers an array of consumer loan products, including new auto loans with a LTV up to 110 percent and used auto loans with a LTV of 100 percent. Monsanto Employees Credit Union is able to offer these expanded LTVs under Massachusetts' parity powers. The institution sets the maximum car loan limit per member at \$80,000 allowing for more than one auto loan. Maximum term for a new car loan in excess of \$10,000 is 84 months; a maximum term for a used car is 60 months, however. Furthermore, the credit union offers closed end personal loans (unsecured) with a maximum amount and term of \$10,000/48 months. Both VISA Classic and VISA Gold credit cards are offered with no annual fee and maximum lines of \$5,000 and \$10,000, respectively. The credit union's consumer loan policy allows for a ratio of 50 percent of gross monthly income for total indebtedness.

The institution's second review for mortgage loans is accomplished through the review and approval process outlined in the credit unions' general laws. The credit committee reviews all applications and appraisals and recommends a loan amount (based on the property value) or declines the loan application. The Board of Directors has final approval/turn down on all mortgage applications.

Monsanto Employees Credit Union provides credit counseling and assistance throughout the application process, particularly in the consumer lending area. A second officer will review pending consumer loan denials, especially for the marginally disqualified applicant, before a denial notice is sent. In addition, the credit committee reviews all denied consumer loan applications.

MINORITY APPLICATION FLOW

The credit union received a total of 8 residential loan applications from minority applicants, representing 11.4 percent of all the applications received from within the assessment area. In 2000, Monsanto Employees Credit Union received 18.8 percent of its applications from minority applicants, as compared to 4.6 percent minority applicants for the aggregate credit unions. Overall, Monsanto Employees Credit Union's minority application flow of 11.4 percent for the combined years (2000, 2001 and YTD 2002) indicates a good level of attracting minority applicants.

The assessment area population (based on 1990 U.S. Census data) was 591,849 resident, of which 92,565 individuals are members of a racial minority. The total population's racial composition is as follows; Native American (0.2%), Asian (1.4%), Black (5.9%), Hispanic (8.1%) and Other Minorities (0.1%) and Caucasian (84.4%).

The table below details Monsanto Employees Credit Union's minority application flow for the years reviewed compared to the aggregate HMDA credit unions' 2000 data.

MINORITY APPLICATION FLOW*										
Race	Aggregate Data 2000		Credit Union 2000		Credit Union 2001		Credit Union 2002		Credit Union Totals	
	#	%	#	%	#	%	#	%	#	%
Native American	1	0.2	0	0.0	0	0.0	0	0.0	0	0.0
Asian	2	0.3	0	0.0	1	2.9	0	0.0	1	1.4
Black	12	1.8	3	18.8	2	5.7	2	10.5	7	10.0
Hispanic	14	2.1	0	0.0	0	0.0	0	0.0	0	0.0
Other	1	0.2	0	0.0	0	0.0	0	0.0	0	0.0
Total Minority	30	4.6	3	18.8	3	8.6	2	10.5	8	11.4
White	590	88.8	13	81.2	32	91.4	17	89.5	62	88.6
NA	44	6.6	0	0.0	0	0.0	0	0.0	0	0.0
Total	664	100.0	16	100.0	35	100.0	19	100.0	70	100.0

Source: HMDA-LAR, CRA Wiz.

Conclusion/Fair Lending

Monsanto Employees Credit Union's record of implementing fair lending practices is rated "satisfactory." This rating is particularly based on the institution providing credit products designed to meet the assessment area credit needs, efforts to market these credit products to all segments of the assessment area, and efforts to review all denied loan applications to ensure fairness in the underwriting and loan application process.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

MONSANTO EMPLOYEES CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **OCTOBER 8, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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_____	_____

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.